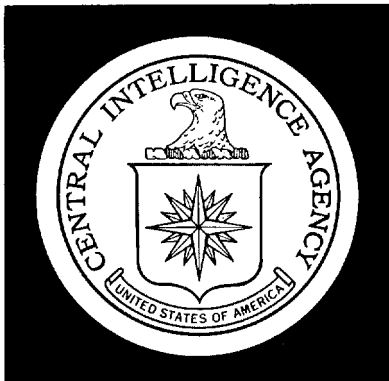


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[Lebanon: The fedayeen and their supporters continue to press the government, as President Hilu works to restore order.

The most serious incidents yesterday occurred in the northern city of Tripoli where demonstrators defied the curfew and clashed with police. Six people were reportedly killed and a number of others were wounded. Armed demonstrators have seized government buildings and are refusing to leave until their demands are met. Earlier Friday morning, Syrians--possibly military--attacked a border post north of Tripoli. Lebanese forces had been alerted, however, and the Syrians were forced to retreat after suffering a number of casualties.

There have been no further clashes in Beirut between demonstrators and security forces, but the fedayeen and their supporters have erected barricades around a refugee district that they control. The fedayeen are supplying the inhabitants of the area with machine guns. A major fedayeen leader in Beirut has ordered the Arab commandos to occupy all refugee camps and to take over their administration.

Meanwhile, Israel's Deputy Prime Minister Allon declared yesterday in a public speech that Tel Aviv cannot be "indifferent" to what is taking place in Lebanon nor allow a change for the worse in the status quo there.

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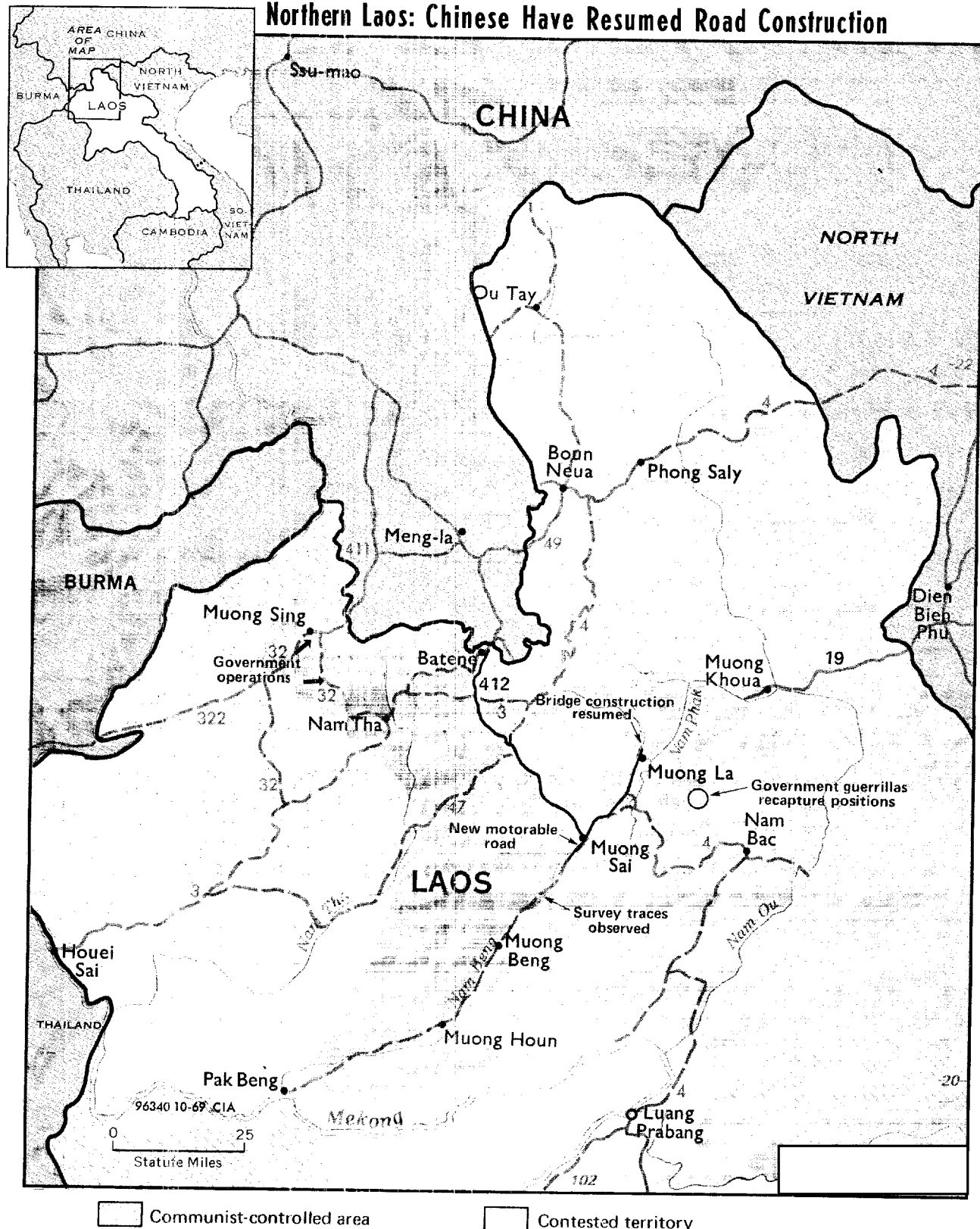
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Laos: Recent aerial photography confirms that the Chinese are pushing ahead with road construction in the northwest.

The most significant new activity is concentrated southwest of the Communist headquarters at Muong Sai. Five miles of newly motorable road are now discernable along with the construction of automatic weapons and air defense positions. In addition, survey traces have been observed within the past two weeks as far as Muong Beng, some 25 miles southwest of Muong Sai.

Northeast of Muong Sai, construction has resumed on a major bridge near Muong La, suggesting that the Chinese intend to link up their new road with Route 19 at Muong Khoua. The completion of this portion of the road system will strengthen Communist capabilities for supporting Pathet Lao and North Vietnamese forces currently operating in the northwest.

The new road work is the clearest sign to date of long-range Communist interest in contesting areas of government control in the northwest. It could also serve to support Communist objectives in northern Thailand, although the relatively few armed insurgents there at present probably do not need a motorable supply route from China. Communist interest in this area was demonstrated last April when Pathet Lao forces overran a number of government positions near Pak Beng, the only government outpost of any consequence between the Mekong River and Muong Sai.

The new roads will also enable the Communists to move more effectively against government operations in the "liberated areas." Over the past month, for example, government guerrillas recaptured several positions northwest of Nam Bac, some ten miles from the current road construction activity at Muong La. The new roads may also facilitate actions against government guerrillas, who have long harassed Communist supply lines near the Chinese border. (Map)

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South Vietnam: President Thieu's six-party political front has been weakened even further by the withdrawal of one of its members.

The leader of the Social Democratic Party told reporters yesterday that his party was leaving the National Social Democratic Front because it served no useful purpose in national politics and was not involved "in any significant activity." Only one faction of the small Social Democratic Party belonged to the front, but because the party's support comes from the Hoa Hao religious sect, the faction was the one truly southern-oriented group in the front. Leaders of other parties in the front have long complained that they received no role in the government as a result of their membership, and some might follow the lead of the Social Democrats.

President Thieu has never looked to the front to provide the main base of his support, and he virtually ignored its leaders for several months. In the past few weeks, however, he has met twice with them in an effort to prod the parties into beginning grassroots organizational activities. By giving more personal attention to the front, Thieu may be able to keep it together, but its prospects for becoming a positive political force are more remote than ever.

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Hungary: Officials in Budapest hope that Soviet interest in a European security conference and in Brandt's Eastern policy will relax East-West tensions sufficiently to allow Hungary to realize some long frustrated goals.

The Hungarians want the economic benefits which would accrue from improved relations with Western Europe. To date they have hesitated lest they appear to be breaking ranks with their allies. They are particularly interested in expanding ties with West Germany. The Kadar leadership also wants to overcome domestic dissatisfaction with Hungary's isolation from the rest of Europe.

Budapest favors any detente movement that would lessen tension in Eastern Europe because it believes this would also aid further development of Hungary's domestic reforms. An extensive economic reform, begun in early 1968, has already gone far in decentralizing economic authority and replacing arbitrary party dictates. Moreover, in March of this year, Hungary moved into the highly sensitive area of political reform.

Since the reimposition of an orthodox regime in Czechoslovakia, the Kadar leadership has been uncomfortable in its exposed position as the most liberal of the Warsaw Pact nations. There have been numerous signs that Moscow and Pankow are concerned about the political implications of Hungary's domestic reforms.

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India: The collapse of Kerala's coalition government, dominated by the Communist Party/Marxist, has set off political maneuvering in the state.

Members of the government have been under attack for corruption. Chief Minister Namboodiripad of the militant Communist Party/Marxist finally resigned yesterday when dissatisfied parties within his coalition joined the opposition in demanding a probe of the charges. The anti-Namboodiripad parties of the former coalition, principally the Communist Party of India and the Muslim League, will now try to form a government, but chances for lasting success are slim. The two parties have little in common and, in Kerala's fragmented politics, they will have difficulty finding the additional support needed to create a stable majority.

Namboodiripad's Marxists still form the largest one-party bloc of votes in the state assembly. In resigning, he may anticipate that opportunistic politicians from other parties, enticed by the spoils of office, will eventually try to join him in a new coalition. At any rate, Namboodiripad will continue as caretaker until a new government is formed or "President's rule"--direct administration from New Delhi--is imposed.

"President's rule" has been invoked in several Indian states, including Kerala, in recent years. Its reimposition would be especially likely if political maneuvering is prolonged or if serious violence breaks out. This is always possible in volatile Kerala.

Namboodiripad actually may be hoping for "President's rule" and an early election. With the help of recently passed land reform legislation, his Marxists probably would make a good showing at the polls. In the meantime, a period of rule from the capital would relieve him of the political liability of governing a state that was becoming increasingly difficult for him to manage. [REDACTED]

(Map)

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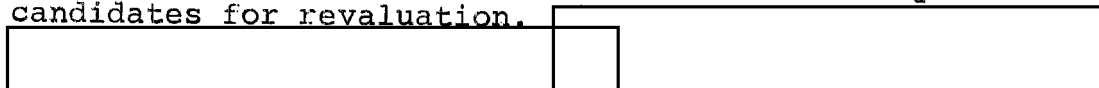
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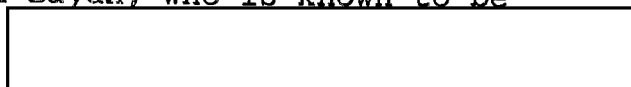
West Germany: The revaluation of the mark from 4 to 3.66 per US dollar is somewhat higher than had been expected by the business community. It should enable the government and the Bundesbank to follow effective anti-inflationary policies without fear of increasing the country's balance of payments surplus. Austria, the Netherlands, and Switzerland also may revalue, although by smaller amounts. Pending clarification of the policy of these countries, the foreign exchanges next week are expected to show hectic speculative activity as funds flow out of Germany, and as funds flow into those currencies considered the most likely candidates for revaluation.



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Southern Yemen - US: The recent delivery of US aircraft to Israel, the propaganda furor over US citizens serving in the Israeli Army, and the emotions generated by the Lebanese crisis were probably all factors influencing the radical regime's abrupt decision to sever both diplomatic and consular relations with the US yesterday. Southern Yemen's relations with the US have been chilly for some time, but earlier reports had indicated the regime was split over what action to take. The present move was probably advocated by Foreign Minister al-Baydh, who is known to be strongly anti-US.



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Japan-Okinawa: Opposition elements, hoping to disrupt the negotiations for the reversion of Okinawa, are attempting to exploit a Japanese press report that nuclear-armed B-52s from Okinawa are flying regular patrols near Communist China and North Korea. Japanese officials have attempted to play down the reports in order to head off a major adverse reaction. In Okinawa, however, this development will further intensify popular resentment against the presence of the B-52s, and may compel the island's moderate leadership to toughen its stand on US base - related issues.

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Sierra Leone: Prime Minister Siaka Stevens, already under fire from several factions within his political party, now is faced with increased dissatisfaction among senior army and police officials. Some of these officers reportedly have either submitted their resignations already or are planning to do so. They believe that political meddling threatens their own careers as well as the professionalism of both services.

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Bolivia: The "revolutionary" militancy set off by the Ovando regime's efforts to generate popular support is taking on a stridently anti-US tone and may be getting out of control. Yesterday, La Paz university students publicly called for star chamber proceedings against "those serving imperialist interests" and the establishment of vigilante groups to enforce the decisions. Also yesterday, a crude bomb was exploded in the main offices of the W.R. Grace Company in La Paz.

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